

COUNCIL/ADMINISTRATIVE POLICY

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1. **PURPOSE**

The purpose of this policy is to establish guidelines for budget development, financial reporting and budget administration and management, as well as outline the City's fiscal policies in regard to user fee cost recovery goals, fund balance, reserves, internal service funds, Other Post-Employment Benefit funding, appropriations limitation, capital improvement, and human resource management.

2. **POLICY**

2.1 **BUDGET DEVELOPMENT**

2.1.1 **Operating Budget Objectives**

- 2.1.1.1 The budget will adhere to the Council Goals, Objectives and Strategic Initiatives. Through its Financial Plan, the City will link resources with results by:
- 2.1.1.2 Identifying community needs for essential services.
- 2.1.1.3 Organizing the programs required to provide these essential services.
- 2.1.1.4 Establishing program policies and goals, which define the nature and level of program services required.
- 2.1.1.5 Identifying activities performed in delivering program services.
- 2.1.1.6 Proposing objectives for improving the delivery of program services.
- 2.1.1.7 Evaluating the availability of a sustainable revenue source to fund programs.
- 2.1.1.8 Appropriating the resources required to perform program activities and accomplish program objectives.
- 2.1.1.9 Using strategic planning to identify organizational priorities translated into goals and objectives.
 - 2.1.1.9.1 Framing budgetary decisions on the basis of results and outcomes linked to the goals and objectives.
 - 2.1.1.9.2 Using performance measures to monitor actual results and outcomes.

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2.1.1.9.3 Comparing actual and projected results and outcomes.

2.1.1.9.4 Formally reporting the status of major program goals and objectives to the City Council on an ongoing and consistent basis.

2.2 **Objectives for Funding Public Improvements in Existing Developments, Neighborhoods and Subdivisions**

2.2.1 City funding for new or improved public improvements in existing developments, neighborhoods and subdivisions shall be the financial responsibility of the adjacent or benefiting parcels. If the aforementioned improvements are desired by the property owners, then they may enter into a financing mechanism, such as assessment or benefit district that may cover the full costs of the improvements to repay the City its full soft and hard costs in a timeframe and an amount that is acceptable to the City.

2.3 **Two-Year Budget**

2.3.1 The City Council shall adopt a two-year budget for the ensuing two fiscal years no later than June 30.

2.3.2 The first year of the two-year budget, the City Council will consider the recommended budget for the two-year period at a duly noticed public meeting. A copy of the budget will be made available at the third floor of City Hall and the City's website.

2.3.3 Prior to the commencement of the second year of the two-year budget, the City Council will consider changes being recommended for the second year of the two-year budget at a duly noticed public meeting.

2.3.4 The City Council will adopt a resolution appropriating and approving the budget for the two fiscal years.

Benefits identified using a two-year financial plan:

2.3.4.1 Reinforcing the importance of long-range planning for managing the City's fiscal affairs.

2.3.4.2 Concentrating on developing and budgeting for the accomplishment of significant objectives.

2.3.4.3 Establishing realistic timeframes for achieving objectives.

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- 2.3.4.4 Creating a pro-active budget that provides for stable operations and assures the City's long-term fiscal health.
- 2.3.4.5 Promoting more orderly spending patterns.
- 2.3.4.6 Reducing the amount of time and resources allocated to preparing annual budgets.
- 2.3.4.7 Consistency with the City Council's two-year Strategic Planning process.

2.4 **Operating Carryover**

Operating program appropriations supported by a Purchase Order or Encumbrance, including Capital Equipment, may be carried over from one budget year to the next with the approval of the Director of Finance and Information Systems, or designee.

2.5 **Mid-Year Budget Reviews**

The Council will formally review the City's fiscal condition, and amend appropriations if necessary, no later than seven months after the beginning of each fiscal year.

2.6 **Components of Fund Balance**

Pursuant to Government Accounting Standards Board (GASB) 54, the components of Fund Balance are defined as follows:

2.6.1 **Nonspendable Fund Balance (inherently nonspendable)**

- 2.6.1.1 Portion of net resources that cannot be spent because of their form (e.g. prepaid items and long-term receivables).
- 2.6.1.2 Portion of net resources that cannot be spent because they must legally or contractually remain intact (e.g. permanent funds).

2.6.2 **Restricted Fund Balance (externally enforceable limitations on use)**

- 2.6.2.1 Limitations imposed by creditors, grantors, contributors or laws and regulations of other government agencies.
- 2.6.2.2 Limitations imposed by law through constitutional provisions or enabling legislation.

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2.6.3 **Committed Fund Balance (self-imposed limitations set in place prior to the end of the period)**

2.6.3.1 Limitations imposed by the City Council requiring formal action at the same level to remove.

2.6.4 **Assigned Fund Balance (limitation resulting from intended use)**

2.6.4.1 Intended use of funds for a specific purpose established by the City Council or City Manager.

2.6.4.2 Appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget.

2.6.5 **Unassigned Fund Balance (residual net resources)**

2.6.5.1 Total fund balance in the general fund in excess of non-spendable, restricted, committed, and assigned fund balance (i.e. surplus).

2.6.5.2 Excess of non-spendable, restricted, and committed fund balance over total fund balance (i.e. deficit).

2.7 **Balanced Budget**

The City will maintain a balanced General Fund budget over the two-year period of the Financial Plan. This means that:

2.7.1 Each fiscal year, current revenues must meet or exceed operating expenditures, including debt service in the General Fund. Use of fund balance commitments to offset non-operating expenditures may allow for current expenditures to exceed current revenues in a fiscal year.

2.7.2 Staff will present a General Fund budget for City Council consideration that maintains an Unassigned Fund Balance of 30% of the annual operating appropriations and operating transfers.

2.7.3 The City will strive to maintain cash reserves in the Enterprise Funds of 30% of annual operating appropriations and operating transfers.

2.7.4 One-time revenue sources, exclusive of Pension/Other Post-Employment Benefits (OPEB) Obligation Fund transfers, are not to be utilized to budget for ongoing program expenditures in the General Fund.

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2.8 **Capital Improvement Program (CIP) Budget**

Pursuant to Government Code Section 66002(b), which requires that a Capital Improvement Program (CIP) be adopted at a noticed public hearing, the City Council will annually conduct a public hearing to consider the CIP and associated budget for adoption of the CIP and the associated budget for the first fiscal year expenditures and revenues. Notice of the hearing shall be given pursuant to Government Code Section 65090. A copy of the budget will be made available at the third floor in the lobby of City Hall and on the City's website.

2.8.1 **CIP Purpose**

The purpose of the CIP is to systematically plan, schedule and finance capital projects to ensure cost-effectiveness as well as conformance with established policies. The CIP is a five-year plan organized into the same functional groupings used for the operating programs. The intent of the CIP is to reflect a balance between: 1) capital replacement projects, which repair, replace or enhance existing facilities, equipment or infrastructure and 2) capital facility projects, which significantly expand or add to the City's existing fixed assets.

2.8.2 **Capital Project**

A capital project typically involves the purchase or construction of major fixed assets such as land, buildings and any permanent improvement including additions, replacements and major alterations having a long life expectancy. Additionally, capital projects may apply to: 1) expenditures which take place over two or more years and which require continuing appropriations beyond a single fiscal year; 2) systematic acquisitions over an extended period of time or 3) scheduled replacement or maintenance of specific elements of physical assets. Generally, only those items costing \$10,000 or more are considered as capital projects.

2.8.3 **Project Manager**

Every CIP project will have a Project Manager (PM). PMs submit project proposals to the CIP Executive Committee based on perceived need and feasibility of the project, as well as projects designated as part of the City's two-year Strategic Plan. PMs also manage approved projects by authorizing all project expenditures, ensuring that all regulations and laws are observed, and periodically reporting project status.

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2.8.4 **CIP Executive Committee**

The CIP Executive Committee, made up of the City Manager, the Director of Engineering/City Engineer and the Director of Finance and Information Systems, evaluate and prioritize proposed projects based on need and available funding. Prioritized projects are then compared to available staffing and dollars and as many projects as feasibly possible are recommended for funding, either fully or partially, with any remaining projects designated as unfunded.

2.8.5 **CIP Amendment**

After a CIP is adopted, there may be a need to either increase a project budget or add a new project to the CIP, prior to the next CIP budget cycle. In these cases, a PM, upon approval from their Director, submits a staff report to City Council for approval of the CIP amendment. If the City Council approves the request for a budget amendment, Finance and Information Systems staff will increase the budget.

2.8.6 **CIP Project Budget Rollover**

When projects are in-progress and are substantially, but not fully complete by the end of the budgeted fiscal year, the project budget may be rolled over to the subsequent fiscal year to allow for project completion.

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2.8.7 **Multi-Year CIP Projects**

When an approved project is designated as a Multi-Year project, the City Manager, or designee, and/or Director of Finance and Information Systems, or designee, has the authority to make CIP and operating budget adjustments, between CIP project budget years. The adjustments made shall result in no change in the total amount appropriated or funded in the CIP budget period, so long as there is adequate funding sources available.

3. **FINANCIAL REPORTING AND BUDGET ADMINISTRATION**

3.1 **Annual Reporting**

The City will prepare annual financial statements as follows:

- 3.1.1 The City will contract for an annual audit by a qualified independent certified public accountant. The City will strive for an unmodified auditor's opinion.
 - 3.1.1.1 Statement on Auditing Standards (SAS) No. 99 (Consideration of Fraud) provides guidance to auditors conducting an audit of an entity and specifically helps the auditors to determine if fraud exists in an organization. SAS No. 114 (Auditor's Communication with those Charged with Governance) provides guidelines on communication between the Auditors and those charged with governance. In order to facilitate communication of any matters the auditors feel are significant, the auditing firm will be required to meet annually with the Mayor and Vice Mayor.
- 3.1.2 The City will use Generally Accepted Accounting Principles (GAAP) in preparing the annual financial statements, and will strive to meet the requirements of Government Finance Officers Association's Award for Excellence in Financial Reporting program.
- 3.1.3 The City will issue audited financial statements within 180 days after year-end.

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3.2 **Interim Reporting**

The City will prepare and issue timely interim reports on the City's fiscal status to the Council and staff. This includes:

- 3.2.1 Departmental online access to the City's financial management system;
- 3.2.2 At a minimum, notification of the update of quarterly revenue and expenditure, annual financial snapshot and annual budget-in-brief reports posted on the website will be sent to the City Council, City Manager and Department Directors; quarterly sales tax reports, quarterly treasury reports and monthly warrant register reports will be sent to the City Council members via e-mail;
- 3.2.3 Mid-year and mid-term budget reviews; and
- 3.2.4 Status report during budget review process.

3.3 **Budget Administration**

- 3.3.1 The City Council may, by majority vote, amend or supplement the budget at any time after its adoption. The City Manager, or designee, and/or Director of Finance and Information Systems, or designee, has the authority to make administrative adjustments to appropriations as long as there is no funding source incompatibility and provided those changes do not increase overall appropriations or will not have an effect on year-end fund balances except as noted below in this section and section 7.1.1 of this policy.
- 3.3.2 The City Manager, or designee, and/or Director of Finance and Information Systems, or designee, have the authority to make adjustments to Capital Improvement Project funding sources as long as the total commitment to the project does not change. Notification shall be made to Council of funding sources changes.
- 3.3.3 The City Manager, or designee, and/or Director of Finance and Information Systems, or designee, have the authority to make budget adjustments associated with Council approved Debt Issuance for 1) documentation including, but not limited to, Official Statements, Trust Agreements, and final debt service schedules and 2) transfers of loan proceeds to capital projects approved by Council to receive associated funding.

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- 3.3.4 The City Manager, or designee, and/or Director of Finance and Information Systems, or designee, can make budget adjustments of up to one dollar to account for rounding.
- 3.3.5 The City Manager, or designee, and/or Director of Finance and Information Systems, or designee, have the authority to make budget adjustments for write-offs made in accordance with Section 5.9, Uncollectible Receivables, of this Policy.
- 3.3.6 The City Manager, or designee, and/or Director of Finance and Information Systems, or designee, have the authority to make budget adjustments to allow for the transfer of investment income earned for the funds identified below:

Transfer From Fund Name

Highway Users Tax Funds
 All Capital Project Funds
 Pension/OPEB Obligation Fund
 Special Assessment Districts Bond
 SB1186 Disability Access
 Measure J

Transfer To Fund Name

General Fund
 Project Funding Source
 General Fund
 Developer Fees
 General Fund
 General Fund

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- 3.3.7 The City Manager, or designee, and/or Director of Finance and Information Systems, or designee, have the authority to make budget adjustments for developer credits relating to City Council approved development agreements and neither the adjustment nor the existing budget may be utilized for any other line item within the adopted budget.
- 3.3.8 The City Manager, or designee, and/or Director of Finance and Information Systems, or designee, have the authority to make budget adjustments associated with investment expenses related to Council approved investment management agreements of the City's funds.
- 3.3.9 The City Manager, or designee, and/or Director of Finance and Information Systems, or designee, have the authority to make budget adjustments associated with payments for repairs when the City will receive reimbursement through an insurance claim.
- 3.3.10 The City Manager, or designee, and/or Director of Finance and Information Systems, or designee, have the authority to make budget adjustments associated with payments for subrogation/cost recovery fees when the City will receive reimbursement for damages to City property.
- 3.3.11 The City Manager, or designee, and/or Director of Finance and Information Systems, or designee, have the authority to make budget adjustments associated with depreciation or the implementation and annual adherence to GASB Statement reporting requirements, where there is no resulting cash impact in any individual fund. Transfers and/or expenditures of cash resources related to GASB Statement requirements shall be incorporated in the City's operating budget and budget adjustments for these purposes shall continue to be governed by the restrictions set forth in the Policy.

Depreciation will be recorded on a straight-line basis over the useful lives of capital assets, as follows:

Land Improvements	20-65 years
Buildings and Structures	50 years
Machinery and Equipment	3-20 years
Vehicles	4-12 years
Infrastructure	65 years
Intangible Assets	40-65 years

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- 3.3.12 The City Manager, or designee, and/or Director of Finance and Information Systems, or designee, have the authority to make budget adjustments for unexpected legal costs when those costs are incurred in pursuit of additional revenues and are reimbursed by a third party. Budget adjustments under this section shall be limited to the amount reimbursed to the City by a third party.

- 3.3.13 The City Manager, or designee, and/or Director of Finance and Information Systems, or designee, have the authority to make budget adjustments for Council approved acceptance of assets in existing Landscape and Lighting Assessment Districts. The budget adjustment amount shall be limited to the maintenance cost identified in the Council action accepting the assets.

- 3.3.14 The City Manager, or designee, and/or Director of Finance and Information Systems, or designee, have the authority to make budget adjustments between budget years, for grants awarded to the City when the grant term extends beyond the fiscal year the grant is awarded. The adjustments made will not exceed the total amount of the grant award.

- 3.3.15 When requesting an amendment to the budget, the fiscal impact must include the following information:
 - 3.3.15.1 The total cost of the amendment and basis for the cost estimate.
 - 3.3.15.2 Whether the cost is “one-time” or recurring.
 - 3.3.15.3 Whether or not funds may be transferred from another source and if so, what effect the transfer would have on that source.
 - 3.3.15.4 Whether or not the purchase or contract will later require additional resources and if so, how much and describe/outline how it will be funded.
 - 3.3.15.5 A summary of any revenue offsets that are expected due to the amendment and when they will be received.

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3.3.15.6 Whether there will be a future reduction of costs and if so, how long it will take to recover the initial cost.

3.3.16 The City Manager, or designee, and/or Director of Finance and Information Systems, or designee, have the authority to make budget adjustments, between budget years, for amounts approved for two-year strategic initiative expenditures. This authority includes adjustments to strategic initiative operating budgets and amendments to strategic initiative CIP budgets. The adjustments made will result in no change in the total amount appropriated in the two-year budget period, so long as there is an adequate funding source available.

3.3.17 The City Manager, or designee, and/or Director of Finance and Information Systems, or designee, have the authority to make budget adjustments for any transfer calculated pursuant to the requirements of Section 7.1.1 of this policy.

3.3.18 The City Manager, or designee, and/or Director of Finance and Information Systems, or designee, have the authority to make budget adjustments for any expenditure to pay down unfunded pension and/or retiree medical benefit obligations required pursuant to Section 7.1.1.1 of this policy.

3.3.19 Department Expenditures

3.3.19.1 The legal level of budgetary control is established at the fund level and adopted on a basis consistent with accounting principles generally accepted in the United States of America.

3.3.19.2 All budget transfers require the approval of the Director of Finance and Information Systems, or designee, except those affecting personnel expenditures which must be approved by the City Manager, or designee.

3.3.19.3 Budget transfers required to hire additional permanent personnel require the City Council's approval.

4. BUDGET MANAGEMENT

4.1 Diversified and Stable Base

The City will seek to maintain a diversified and stable revenue base to protect it from short-term fluctuations in any one revenue source.

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4.2 **Long-Range Focus**

The City Council will emphasize and facilitate long-range financial planning through the development of a two-year budget, a five-year capital improvement plan and a ten-year general fund fiscal model.

4.3 **Interfund Loans**

Interfund loans are defined as the lending of cash from one City fund to another for a specific purpose with a requirement of repayment. The practice of interfund loans is a recognized and necessary aspect of municipal finance. Such loans are typically short-term in nature and constitute the allocation of resources between individual funds for working capital purposes.

City Council approval is required for interfund loans except for: short-term working capital loans; interfund loans for working capital for Council approved reimbursable grants and projects; and other temporary timing differences in cash flows.

Interfund loans shall not be used to solve ongoing structural budget issues or hinder the accomplishment of any function or project for which the lending fund was established.

4.3.1 Long-term loans must be approved by the City Council. Council approval will incorporate the approval of the terms of the loan including:

4.3.1.1 Purpose of the interfund loan.

4.3.1.2 Identification of the source fund, including:

- A review of multi-year plans for use of source fund cash.
- An analysis of legal or contractual restrictions, if any.

4.3.1.3 Repayment of long-term loans, including:

- Specific repayment schedule.
- Source and feasibility of repayment funding stream.

5. **USER FEE COST RECOVERY GOALS**

5.1 **Ongoing Review**

Fees will be reviewed and updated on an ongoing basis to ensure that they keep pace with changes in the cost-of-living as well as change in methods or levels of service delivery.

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5.2 **User Fee and Utility Rates Cost Recovery**

It is the intent of the City to collect user fees and/or utility rates for services provided to the public, where applicable.

5.3 **Annual Review**

All fees and rates will be reviewed and updated annually to ensure that they keep pace with the cost of providing service. Staff will report on projected program subsidies, if any, provided by the General Fund as a part of the budget development and reporting process.

Annually, the City Council will consider the updated Cost Allocation Plan and Schedule of City Fees to be adopted at a noticed public hearing. A copy of the Cost Allocation Plan and Schedule of City Fees will be made available at the third floor in the lobby of City Hall and on the City's website.

5.4 **Development Fees Review Program**

The following cost-recovery policies apply to the development fees review program. Services provided under this category include:

- 5.4.1 Planning (planned development permits, tentative tract and parcel maps, re-zonings, general plan amendments, variances, use permits, etc.).
- 5.4.2 Engineering (public improvement plan checks, inspections, subdivision requirements encroachments, etc.).
- 5.4.3 Building (enforcement of California building, electrical, plumbing and mechanical codes and other codes, laws and ordinances).
- 5.4.4 Cost recovery for these services should generally be very high. In most instances, the City's cost recovery goal should be 100%. Exceptions to this standard include appeals, where the fee is set very low to provide adequate opportunity for due process.
- 5.4.5 The City will clearly establish and articulate standards for reviewing developer applications to ensure that there is "value for cost."

5.5 **Other User Fees**

- 5.5.1 City Clerk (Agenda mailings, Public Record Requests, Municipal & Zoning Code Supplements, Manuals and other documents, certifications, etc.).

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5.5.2 Police (DUI recovery costs, fingerprinting, arrest report copies, etc.).

5.5.3 Other (Graffiti removal, U.S. Passport services, copying costs, cost for documents published by the City, costs for damaged property, or other costs reasonably anticipated to be covered by user fees).

5.6 **Utility Fees and Rates**

Water, Solid Waste and Sewer Enterprises: The City will set utility fees and rates in a process that complies with Article XIID, Section 6 of the California Constitution, enacted by Proposition 218. Proposed rate and fee changes will be subject to the public hearing and protest requirements of Proposition 218. Revenues derived from fees or charges shall not exceed the cost to provide service; shall not be used for any purpose other than that for which it is imposed; and the amount of a fee or charge upon a parcel shall not exceed the proportional cost of the service attributable to the parcel.

5.7 **Assessment District Administration**

The City Council, through the Landscaping and Lighting act of 1972, has approved the formation of assessment districts to ensure the proper flow of funds for the ongoing operation, maintenance, and servicing of specific improvements within the boundaries of the City of Brentwood. Generally, developers construct these public improvements as conditions of approval for their permits for new housing or commercial/industrial developments. The ongoing operation, maintenance and servicing of these improvements are then financed through assessment districts. The assessment districts ensure that the ongoing costs of maintaining the improvements are paid for by those property owners who directly benefit from the improvements. In 1998, a Citywide assessment district for park maintenance was also created via a vote of the residents of Brentwood.

Although the annual maximum levy amounts for each assessment district are authorized by an annual Engineer's Report, the City Manager, in consultation with the City Attorney, has the authority to reduce levy amounts in circumstances where he/she has determined that the current year's levy and the benefit received by a parcel are not proportional. Typically, an adjustment of this nature would occur during the development phase, subsequent to the approval of a subdivision map and prior to the commencement of construction. In the event the City Manager, in consultation with the City Attorney, determines a levy reduction is warranted subsequent to the release of the tax roll by the County Assessor's Office, the City Manager shall have the authority to refund any resulting assessment overpayments.

5.8 **Parks and Recreation Programs and Facility Rentals**

The following cost recovery policies apply to the City's recreation programs. The

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Director of Parks and Recreation approves recreation programs based upon cost recovery goals throughout the year.

For purposes of this section of the policy, the following four definitions apply:

Resident – an individual whose primary residence is within the City limits of Brentwood.

Non-resident – an individual whose primary residence is outside the City limits of Brentwood.

Commercial – when use of the facility is for profit or sale with the proceeds to benefit an individual or organization.

Non-profit – when use of the facility is by a non-profit organization as determined by the Internal Revenue Service and/or State of California with at least 75% of its membership made up of Brentwood residents, and the purpose of the use is to raise funds for community, charitable, or education projects within Brentwood or that benefit Brentwood residents.

5.8.1 Cost recovery - Recreation Programs:

- 5.8.1.1 Cost recovery for youth programs – Brentwood residents, direct cost plus 10% of Department overhead.
- 5.8.1.2 Cost recovery for adult programs – Brentwood residents, goal of 75% recovery of direct cost plus 75% of Department overhead.
- 5.8.1.3 All programs that are above the recommended cost recovery rate will continue a goal of 100% cost recovery.
- 5.8.1.4 Non-resident Aquatic and City run youth sports program fees are set 10% above the resident fee.
- 5.8.1.5 All non-resident rates excluding section 5.8.1.4 above are set at direct cost plus 50% of Department overhead.
- 5.8.1.6 Programs that do not have a non-resident rate:
 - Recreation swim
 - Lap swim
 - Contracted on-line computer courses
 - Fees set by an outside agency

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- City programs funded through the Economic Development Grant Program
- City programs for active adults 50+
- Cosponsored City / Liberty Union High School District Adult Education programs
- Teen Programs

5.8.1.7 Free programs:

- Concerts in the Park
- Christmas tree lighting
- Park and facility grand openings
- Movies in the park
- 4th of July Parade

5.8.2 The following categories describe how rates are set for facility rentals (excluding group picnic facility rentals):

5.8.2.1 **Resident** – this category is the base price used for a facility and is set based on the market price for like facilities.

5.8.2.2 **Non-Resident** – the price for non-residents is 10% above the resident rate.

5.8.2.3 **Commercial** – the price for commercial use is 30% above the resident rate and is intended to recover most if not all costs as the event is usually intended to be a profit making endeavor.

5.8.2.4 **Non-profit** – the price for non-profits is 30% below the resident rate as the purpose is to allow use by local non-profits who normally use facilities to raise money to go back into the community.

5.8.3 The following categories describe how rates are set for group picnic facility rentals:

5.8.3.1 **Resident** – this category is the base price used for group picnic facility rentals and is set based on the market price for like rentals.

5.8.3.2 **Non-Resident** – the price for non-residents is 30% above the resident rate and is intended to recover most if not all costs.

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5.8.3.3 **Commercial** – the price for commercial use is 30% above the resident rate and is intended to recover most if not all costs as the event is usually intended to be a profit making endeavor.

5.8.3.4 **Non-profit** – the price for non-profits is 30% below the resident rate as the purpose is to allow use by local non-profits who normally use facilities to raise money to go back into the community.

5.9 **Uncollectible Receivables**

It is the intent of the City to reflect the value of its receivables and ensure that resources are used efficiently and not devoted to recovery of uncollectible receivables. The timely identification of losses is an essential element in appropriately measuring the value of the City's assets. The write-off process is a critical component in valuing receivables. The City Manager, or designee, and/or Director of Finance and Information Systems, or designee, have the authority to write-off uncollectible receivables not to exceed \$5,000 per transaction and not to exceed \$50,000 in the aggregate for any individual debtor. Any uncollectible account exceeding \$5,000 per transaction or \$50,000 in the aggregate for any individual debtor will require the City Council's approval.

5.10 **Minimum Refund Threshold for Overpayments**

It is the intent of the City to ensure that resources are used efficiently. The cost to process a refund check exceeds \$25.00. Therefore, refunds of overpayment shall not be issued for amounts less than \$25.00.

6. **APPROPRIATIONS LIMITATION**

6.1 The City Council will annually adopt a resolution establishing the City's appropriations limit calculated in accordance with Article XIII B of the Constitution of the State of California, Section 7900 of the State of California Government Code, and any other voter approved amendments or state legislation that affect the City's appropriations limit.

6.2 The supporting documentation used in calculating the City's appropriations limit and projected appropriations subject to the limit will be available from the City Clerk at least 15 days before consideration of a resolution to adopt an appropriations limit. The City Council will generally consider this resolution in connection with final approval of the budget.

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6.3 The City will actively support legislation or initiatives sponsored or approved by the League of California Cities which would modify Article XIII B of the Constitution in a manner which would allow the City to retain projected tax revenues resulting from growth in the local economy for use as determined by the City Council.

6.4 The City shall seek a vote of the public to amend its appropriation limit at such time that tax proceeds are in excess of allowable limits.

7. **FUND BALANCE RESERVES, REPLACEMENT FUNDS AND INTERNAL SERVICE FUNDS**

7.1 **Minimum Fund Balances/Reserves**

Staff will present a General Fund budget for City Council consideration that maintains an Unassigned Fund Balance of 30% of annual operating appropriations and operating transfers. The City will strive to maintain cash reserves in the Enterprise Funds of 30% of annual operating appropriations and operating transfers. This is considered the minimum level necessary to maintain the City's credit worthiness and to adequately provide for contingencies for unseen operating or capital needs or cash flow requirements.

7.1.1 At the close of each fiscal year, General Fund savings over and above the minimum Fund Balance required in Section 7.1 of this policy, will be transferred to the Pension/OPEB Obligation Fund and then allocated as follows:

7.1.1.1 50% of the amount identified in Section 7.1.1 of this Policy will be used to pay down the City's unfunded pension and/or retiree medical benefit obligations and 50% will be held for future budget stabilization needs. The Director of Finance and Information Systems shall determine the distribution of any amounts used to pay down the City's unfunded pension and/or retiree medical obligations.

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7.1.1.2 If the City's pension and retiree medical obligations are 100% funded as of the most recent actuarial report, any amount identified in Section 7.1.1 of this will be held for future budget stabilization needs.

7.1.1.3 During the period of a declared emergency from the City's Director of Emergency Services staff will seek the City Council's approval prior to using the amount identified in Section 7.1.1 of this Policy to pay down the City's unfunded pension and/or retiree medical benefit obligation under the provisions in section 7.1.1.2.

7.1.2 The City Manager, or designee, and/or Director of Finance and Information Systems, or designee, shall designate in Fund Balance any unspent General Fund Strategic Initiative budgeted amount at the end of the first year of the two-year Strategic Plan period. The fund balance designation is limited to the current two-year Strategic Plan period unspent budget.

7.1.3 The City Manager, or designee, and/or Director of Finance and Information Systems, or designee, shall designate in Fund Balance any unspent General Fund Strategic Initiative budgeted amount at the end of the current two-year Strategic Plan period. The fund balance designation amount shall be limited to the subsequent two-year General Fund Strategic Initiative total costs.

7.2 **Replacement Funds**

Replacement Funds shall provide for the accumulation of resources and associated expenditures for the maintenance and/or replacement of assets. Replacement funds shall be accumulated such that the amount available in any given Replacement Fund will be sufficient to meet the maintenance and/or replacement requirements of the assets assigned to that fund based on maintenance and replacement schedules developed utilizing the useful life of the assets and the estimated cost of repair or replacement including a factor for inflation. For facilities replacement, once the debt service requirements for construction of a facility have ended, an evaluation will be made of the amount to be set aside as a component of the replacement financing plan for the facility at the end of its useful life. Fund balances and required contributions to the Replacement Funds from other Funds will be reviewed during the two-year budget preparation process to ensure that the Funds have adequate resources to meet the maintenance and replacement requirements of the assets.

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7.3 **Pension/Other Post-Employment Benefits (OPEB) Obligation Fund**

The Pension/OPEB Obligation Fund is an intermediate-term funding source to be used to help offset the rising cost of OPEB as a part of a long-term pre-funding strategy of retiree medical benefits. In addition, this fund shall be used to help offset the rising costs of pension expenses and paying the unfunded liability on a cost reimbursement basis. Interest earnings may be credited to the General Fund.

7.4 **Vehicle and Equipment Replacement**

The City will maintain a Vehicle and Equipment Replacement Fund to provide for the timely replacement of vehicles and capital equipment with an individual replacement cost of \$10,000 or more or as determined by the Director of Finance and Information Systems, or designee. Sales of surplus equipment will be credited to the Equipment Replacement Fund.

7.5 **Information Systems Replacement**

The City will maintain an Information Systems Replacement Fund to provide for the timely replacement of technology assets. Interest earnings and sales of surplus equipment will be credited to the Information Systems Replacement Fund.

7.6 **Facilities Replacement**

The City will maintain a Facilities Replacement Fund to provide a funding source for major repair or replacement costs of existing facilities.

7.7 **Tuition Fund**

The City will maintain a Tuition Fund to provide a funding source for employees to continue their education in order to either maintain or improve knowledge, skills and professional growth in their current position.

7.8 **Insurance Fund**

The City will maintain an Insurance Fund to provide a funding source for insurance costs. This fund may be used to pay unforeseen expenses due to legal matters or lawsuits. Departments are also charged for Property and Liability Insurance, which funds the payments, made to our insurance authority.

7.9 **Facilities Maintenance Service Fund**

The City will maintain a Facilities Maintenance Services Fund to provide for the custodial and maintenance needs of the City's buildings. The annual contribution for this fund will generally be based on square footage and service cost.

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7.10 **Fleet Maintenance Services Fund**

The City will maintain a Fleet Maintenance Services Fund to provide for the on-going maintenance of all City vehicles and equipment, other than Police. The annual contribution for this fund will generally be based on type of vehicle or equipment.

7.11 **Information Services Fund**

The City will maintain an Information Services Fund to provide for the development and coordination of the City's information systems' needs. The annual contribution for this fund will generally be based on the type of information systems equipment utilized by each department or fund.

7.12 **Parks and LLAD Replacement Fund**

The City will maintain a Parks and Landscape and Lighting Assessment Districts (LLAD) Replacement Fund to provide a funding source for the repair and replacement needs related to landscaping, equipment and facilities in the Citywide Parks and Landscape and Lighting Assessment Districts. The annual contribution for this fund will be based on the City Council adopted annual engineers report.

8. **OTHER POST-EMPLOYMENT BENEFIT (OPEB) FUNDING**

8.1 The City provides certain post-retirement health care benefits to employees. To address the unfunded actuarial accrued liability for these benefits, the City will make annual contributions to the OPEB trust in amounts equal to at least 85% of the annual actuarial determined contribution, or a substantially equivalent financial metric as calculated by the City's actuary. Once the City's OPEB trust has reached an 85% funded ratio, the City will maintain funding at a level percentage of payroll until it attains a funded ratio of 100%.

9. **HUMAN RESOURCE MANAGEMENT**

9.1 **Regular Staffing**

9.1.1 The budget will fully appropriate the resources needed for authorized regular staffing and will limit programs to the regular staffing authorized.

9.1.2 Regular employees will be the core work force and the preferred means-of staffing of ongoing, year-round program activities that should be performed by regular part-time or full-time City employees rather than independent contractors. The City will strive to provide competitive compensation and benefit schedules for its authorized regular work force. Each regular employee will:

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- 9.1.2.1 Fill an authorized regular position.
- 9.1.2.2 Be assigned to an appropriate bargaining unit, or otherwise designated with at-will status.
- 9.1.2.3 Receive salary and benefits consistent with labor agreements or other compensation plans.
- 9.1.3 To manage the growth of the regular work force and overall staffing costs, the City will follow these procedures:
 - 9.1.3.1 The City Council will authorize all regular positions.
 - 9.1.3.2 Adjustments to employee allocations will only be made in conjunction with the first or second year of the two-year budget process unless authorized by the Director of Finance and Information Systems, or designee.
 - 9.1.3.3 The Human Resources Department will coordinate and oversee the hiring of all regular and limited service employees.
 - 9.1.3.4 All requests for additional regular positions will include evaluations of:
 - 9.1.3.4.1 The necessity, term and expected results of the proposed activity.
 - 9.1.3.4.2 Staffing and materials costs including salary, benefits, equipment, uniform, clerical support and facilities.
 - 9.1.3.4.3 The ability of private industry to provide the proposed service.
 - 9.1.3.4.4 Additional revenues or cost savings, which may be realized.
 - 9.1.3.4.5 The availability of a sustainable revenue source to fund the additional personnel costs.
- 9.1.4 Periodically, and before any request for additional regular positions, programs will be evaluated to determine if they can be accomplished with fewer regular employees.

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9.2 **Limited Service**

- 9.2.1 The hiring of limited service employees will not be used as an incremental method for expanding the City’s regular work force.
- 9.2.2 Limited service positions include all employees other than regular employees, elected officials, and volunteers. Limited service positions will generally augment regular City staffing as hourly, temporary, limited part-time, intermittent, student, intern, emergency, and seasonal positions.
- 9.2.3 The City Manager and Department Directors will encourage the use of limited service rather than regular employees to meet peak workload requirements, fill interim vacancies, and accomplish tasks where less than full-time, year-round staffing is required. Under this guideline, limited service employee hours will generally not exceed approximately 50% of a regular, full- time position (960 hours per fiscal year). There may be limited circumstances where the use of limited service employees on an ongoing basis in excess of this target may be appropriate due to unique programming or staffing requirements. However, any such exceptions must be approved by the City Manager, or designee prior to the employee working more than 960 hours in the fiscal year.
- 9.2.4 Limited service employees work with time specific offer letters approved by the City Manager, or designee, and may receive approved benefits, as required by law, depending on hourly requirements and the length of their employment. Limited service employees will generally be used for medium-term (generally between six months and two years) projects, programs or activities requiring specialized or augmented levels of staffing for a specific period. The services of limited service employees will be discontinued upon completion of the assigned project, program or activity. Accordingly, limited service employees will not be used to perform work that is anticipated to be delivered on an ongoing basis.